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Item 13 (c) of the provisional agenda

ADMINISTRATIVE AND FINANCIAL MATTERS

AUDIT REPORTS

Audited financial statements for the biennium 1998-1999: report of the United Nations Board of Auditors

Note by the Executive Secretary

1. The financial procedures of the Convention require that "a final audited statement of accounts for the full financial period shall be provided to the Conference of the Parties as soon as possible after the accounts for the financial period are closed". They also stipulate that "the accounts and financial management of all funds governed by these financial procedures shall be subject to the internal and external audit process of the United Nations" (FCCC/CP/1995/7/Add.1, decision 15/CP.1, annex I, paras. 18-19).

2. The Board of Auditors audited the financial statements for the biennium 1998-1999 and undertook a management audit of UNFCCC conference support arrangements. The full text of the report of the United Nations Board of Auditors, including the financial statements as at 31 December 1999, which was received by the secretariat on 24 July 2000, is attached herewith as received, without formal editing.

3. The Subsidiary Body for Implementation may wish to take note of the information contained in the audited financial statements and the report of the external auditors.

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I. LETTER OF TRANSMITTAL

UNITED NATIONS NATIONS UNIES

BOARD OF AUDITORS

NEW YORK

FAX (212) 963-3684

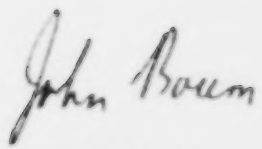
30 June 2000

Sir,

I have the honour to transmit to you the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the biennium 1998-1999 ended 31 December 1999, which were submitted by the Executive Secretary. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.



Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of
Great Britain and Northern Ireland
and Chairman
United Nations Board of Auditors

The President of the Conference
of the Parties
United Nations Framework Convention
on Climate Change
Bonn, Germany

II. NARRATIVE FINANCIAL REPORT FOR THE BIENNIUM ENDED 31 December 1999

Introduction

1. The Executive Secretary has the honour to submit herewith the financial report, together with the accounts for the biennium 1998-1999 ended 31 December 1999, of the United Nations Framework Convention on Climate Change (UNFCCC). The report is presented in accordance with paragraph 16 of the Financial and common services arrangements for administrative support to the UNFCCC Secretariat.

STATEMENT I.

Statement of income and expenditure and changes in reserves and fund balances

I. Trust Fund for the Core Administrative Budget of the UNFCCC

2. The amount of $19,577,064 shown in Statement I represents indicative contributions from Governments, out of which $1,191,651 has not yet been paid by the end of 1999. The amount of $1,712,492 represents voluntary contributions paid by the host country to the Core Administrative Budget for the biennium 1998-1999 (Schedules 1.1 and 1.2). In addition, $548,707 was received as interest income, $1,385 as Inter-Organization arrangements, and $20,700 as other income, bringing the total income to $21,860,348. Expenditures for the biennium 1998-1999 amounted to $17,967,510 which resulted in an excess of income over expenditure of $3,892,838. The prior period adjustments of $33,899 increased the excess to $3,926,737. The reserve and fund balance of the Core Administrative Budget amounted to $8,152,548 at the end of December 1999.

II. Trust Fund for Participation in the UNFCCC Process

3. A total amount of $1,943,610 was received during the biennium 1998-1999 as voluntary contributions from various governments (Schedule 1.1). In addition $106,791 was received as interest income. Thus, the total income of the fund was $2,050,401.

4. The total expenditure, which included $99,787 as loss on exchange, was $3,306,334, resulting in a shortfall of income over expenditure of $1,255,933. The prior period adjustment of $107,581 reduced the shortfall to $1,148,352.

5. The reserves and fund balance of the fund was $477,481 at the end of December 1999.

III. Trust Fund for a Special Annual Contribution from the Government of Germany

6. $3,894,592 was received from the Government of Germany. Total income in this fund was $4,001,370 after inclusion of $97,216 as interest income and $9,562 as miscellaneous income.

7. The expenditure amounted to $3,933,614, which resulted in an excess of income over expenditure of $67,756.

8. Together with the transfer of $934,384 from the Trust Fund for Voluntary Supplementary Activities and the refund of $363,550 to the Government of Germany, the fund balance of the fund amounted to $638,590 at the end of December 1999.

IV. Trust Fund for Supplementary Activities

9. The voluntary contributions to the fund amounted to $3,262,681 for the biennium 1998-1999 (Schedule 1.1). Total income in this fund was $3,476,419 after inclusion of interest income of $213,738.

10. Total expenditure, including loss on exchange of $58,517, was $2,521,614 that resulted in an excess of income over expenditure of $954,805. The prior period adjustments increased the excess to $967,584.

11. The reserve and fund balance reached $2,245,666 at the end of December 1999 after the transfer of $934,384 to the Trust Fund for a Special Annual Contribution from the Government of Germany and of $19,381 from the unspent balance of Norwegian contribution to JPO programme in other trust fund.

STATEMENT II

Statement of assets, liabilities, reserves and fund balances

I. Trust Fund for the Core Administrative Budget of UNFCCC

12. The assets of the Trust Fund amounted to $10,647,173 and included cash of $8,757,365, indicative contributions receivable of $1,191,651, inter-fund balances receivable of $14,315, other accounts receivable of $648,326, deferred charges of $5,516 and the remittance of $30,000 to the meeting in Ghana in July 1999.

13. The liabilities consisted of other accounts payable of $367,097, unliquidated obligations of $1,712,830 and contributions received in advance of $414,698.

14. The Working Capital Reserve was $689,754 by the end of 1999 and the cumulative surplus of the fund was $7,462,794.

II. Trust Fund for Participation in the UNFCCC Process

15. Total assets of $2,178,809 included cash of $1,626,285, other accounts receivable of $15,896 and the remittance balance of $536,628 to the conference in Buenos Aires in October 1998.

16. The liabilities consisted of inter-fund balances payable of $548,292 and unliquidated obligations of $1,153,036.

17. The Cash Operating Reserve of the fund amounted to $286,604 and the cumulative surplus to $190,877 at the end of December 1999.

III. Trust Fund for a Special Annual Contribution from the Government of Germany

18. The total assets of the fund consisted of cash of $1,387,239 and other accounts receivable of $84,669.

19. The liabilities included inter-fund balances payable of $54,347 and unliquidated obligations of $778,971.

20. The Cash Operating Reserve of the fund amounted to $273,798 and the cumulative surplus to $364,792 at the end of December 1999.

IV. Trust Fund for Supplementary Activities

21. The assets of the fund amounted to $2,737,954 and included cash of $2,654,746 and other accounts receivable of $83,208.

22. The liabilities consisted of inter-fund payable of $162,566, other accounts payable of $167,612 and unliquidated obligations of $162,110.

23. The Cash Operating Reserve reached $163,857 and the cumulative surplus was $2,081,809.

III. CERTIFICATION OF THE FINANCIAL STATEMENTS

25 May 2000

I certify that the appended financial statements of the United Nations Framework Convention on Climate Change, numbered I to III, are fairly stated.

Michael Zammit Cutajar
Executive Secretary
Secretariat of the UNFCCC

IV. ACCOUNTS FOR THE BIENNIUM 1998-1999 ENDED 31 DECEMBER 1999

Statement I

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Statement of income and expenditures and changes in reserve and fund balances for the biennium 1998-1999 as at 31 December 1999

(Expressed in US Dollars)

	TF FOR THE CORE BUDGET OF THE UNFCCC FC		TF FOR PARTICIPATION IN THE UNFCCC PROCESS FI		TF FOR SPECIAL ANNUAL CONTRIBUTION FROM THE GOVERNMENT OF GERMANY FQ		TF FOR SUPPLEMENTARY ACTIVITIES FB	
INCOME								
	1999	1997	1999	1997	1999	1997	1999	1997
Indicative Contributions	19.577.064 1/	13.767.634	-	-	-	-	-	-
Pledges Contributions	1.712.492 1/	1.961.231	1.943.610 1/	2.517.966	3.894.592 1/	-	3.262.681 1/	5.510.890
Received under Inter-Organization arrangements	1.385	-	-	-	-	-	-	-
Interest income	548.707	223.307	106.791	34.601	97.216	-	213.738	86.242
Miscellaneous income	20.700	12.500	-	117.287	9.562	-	-	-
TOTAL INCOME	21.860.348	15.964.672	2.050.401	2.669.854	4.001.370	-	3.476.419	5.597.132
EXPENDITURE								
Staff and other personnel costs	11.305.775	8.352.047	-	-	1.016.528	-	1.232.065	1.509.892
Travel	1.149.188	565.949	2.837.652	3.314.564	452.632	-	518.064	265.043
Contractual services	256.372	121.351	-	-	-	-	28.720	41.234
Operating expenses	804.109	675.497	99.787 2/	164.066	1.980.752	-	159.005 3/	1.671.059
Acquisitions	699.299	636.095	-	-	21.162	-	2.962	37.094
Fellowships, grants and other	1.685.708	1.050.796	-	-	10.000	-	297.433	27.200
Total direct expenditure	15.900.451	11.401.735	2.937.439	3.478.630	3.481.074	-	2.238.249	3.551.522
Programme support costs	2.067.059	1.479.584	368.895	430.893	452.540	-	283.365	434.210
TOTAL EXPENDITURE	17.967.510	12.881.319	3.306.334	3.909.523	3.933.614	-	2.521.614	3.985.732
Excess(shortfall) of income over expenditures	3.892.838	3.083.353	(1.255.933)	(1.239.669)	67.756	-	954.805	1.611.400
Prior period adjustments	33.899 4/	1.452	107.581 5/	-	-	-	12.779 6/	-
NET EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURES	3.926.737	3.084.805	(1.148.352)	(1.239.669)	67.756	-	967.584	1.611.400
Transfers(to) from other funds		971.880		2.276.786	934.384 7/	-	(915.003) 8/	483.384
Refund to donors	-	-	-	-	(363.550) 9/	-	-	-
Savings on prior period's obligations	169.126	-	588.716	-	-	-	98.301	-
RESERVES AND FUND BALANCES BEGINNING OF PERIOD	4.056.685		1.037.117				2.094.784	
RESERVES AND FUND BALANCES END OF PERIOD	8.152.548	4.056.685	477.481	1.037.117	638.590		2.245.666	2.094.784

The accompanying notes are an integral part of the financial statements.

1/ The contributions received are all in convertible currencies.

2/ Including loss on exchange of US$ 89,787

3/ Including loss on exchange of US$ 58,517

4/ Representing

a) US$ 2,913 received from UNDV for PSC adjustment on prior years unliquidated obligations.
b) US$ 21,986 for PSC adjustment on 1997 savings.
c) 1996 USA contribution US$ 9,000 (UNLV506683 refers)

5/ Representing

a) US$ 38,837 received from UNDV for PSC adjustment on prior years unliquidated obligations.
b) US$ 76,533 for PSC adjustment on1997savings.

Less

c) Prior years expenditures adjustments as follows:

US$ 1,234,325.00(858)
US$ 1,410,425.00(863)
US$ 3,134,506.99(813)
US$ 2,011,506.90(598)

6/ Representing PSC adjustment on 1997 savings

7/ Representing transfer of funds from FR fund as per Mr. Beyene's memorandum dated 11 May 1998

8/ Representing transfer of funds to FQ fund - US$934,384
less transfer from ZH fund' Norway balance JPO' - US$(19,381)

9/ Representing refund of unspent balance of DM 655,245 to the German Government in relation with their 1996 special contribution of DM 2,000,000

Statement II

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Statement of assets, liabilities, and reserves and fund balances
for the biennium 1998-1999 as at 31 December 1999

(Expressed in US Dollars)

	TF FOR THE CORE BUDGET OF THE UNFCCC FC		TF FOR PARTICIPATION IN THE UNFCCC PROCESS FI		TF FOR SPECIAL ANNUAL CONTRIBUTION FROM THE GOVERNMENT OF GERMANY FQ		TF FOR SUPPLEMENTARY ACTIVITIES FR	
	1999	1997	1999	1997	1999	1997	1999	1997
ASSETS								
Cash and term deposits	8,757,365	3,080,268	1,626,285	1,332,550	1,387,239	-	2,654,746	2,111,671
Investments	-	-	-	-	-	-	-	-
Indicative contributions receivable	1,191,651	1,311,726	-	-	-	-	-	-
Inter-fund balances receivable	14,315	201,590	-	1,113,543	-	-	-	-
Other accounts receivable	648,326	974,354	15,896	800	84,669	-	83,208	162,705
Deferred charges	5,516	-	-	-	-	-	-	-
Operating funds provided to executing agencies	30,000	-	536,628	-	-	-	-	-
TOTAL ASSETS	10,647,173	5,567,938	2,178,809	2,446,893	1,471,908	-	2,737,954	2,274,376
LIABILITIES								
Inter-fund balances payable	-	-	548,292	-	54,347	-	162,566	38,507
Other accounts payable	367,097	259,306	-	279,576	-	-	167,512	18,667
Unliquidated obligations	1,712,830	1,206,726	1,153,036	1,130,200	778,971	-	162,110	122,418
Contributions/Payments received in advance	414,698	45,221	-	-	-	-	-	-
TOTAL LIABILITIES	2,494,625	1,511,253	1,701,328	1,409,776	833,318	-	492,288	179,592
RESERVES AND FUND BALANCES								
Operating reserve	-	-	286,604	94,244	273,798	-	163,857	297,105
Working Capital Reserve	689,754	528,248	-	-	-	-	-	-
Cumulative surplus (deficit)	7,462,794	3,528,437	190,877	942,873	364,792	-	2,081,809	1,797,679
TOTAL RESERVES AND FUND BALANCES	8,152,548	4,056,685	477,481	1,037,117	638,590	-	2,245,666	2,094,784
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	10,647,173	5,567,938	2,178,809	2,446,893	1,471,908	-	2,737,954	2,274,376

The accompanying notes are an integral part of the financial statements.

Schedule1.1
Page 1 of 2

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of pledges unpaid as at 31 December 1999

(Expressed in US dollars)

Countries/Trust Funds	Pledges receivable as at 01.01.1998	Add: Pledges for 1998/99 and adj. of prior pledges	Less: Collections in1998	Less: Collections in1999	Total Collections	Pledges receivable as at 31.12.1999
I. Trust Fund for the Core Budget of the UNFCCC (FC)						
Germany	-	1,712,492	837,989	874,503	1,712,492	-
Total	-	1,712,492	837,989	874,503	1,712,492	-
II. Trust Fund for Participation in the UNFCCC Process (FI)						
Denmark	-	40,000	40,000	-	40,000	
European Community	-	82,734	82,734	-	82,734	-
Germany	-	246,132	120,787	125,345	246,132	-
Greece	-	20,000	10,000	10,000	20,000	-
New Zealand	-	8,604	8,604	-	8,604	-
Norway	-	73,497	26,930	46,567	73,497	-
Sweden	-	60,000	60,000	-	60,000	-
Switzerland	-	21,898	-	21,898	21,898	-
United Kingdom	-	326,745	165,630	161,115	326,745	-
United States	-	1,064,000	500,000	564,000	1,064,000	-
Total	-	**1,943,610**	**1,014,685**	**928,925**	**1,943,610**	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of pledges unpaid as at 31 December 1999

(Expressed in US dollars)

Countries/Trust Funds	Pledges receivable as at 01.01.1998	Add: Pledges for 1998/99 and adj. of prior pledges	Less: Collections in1998	Less: Collections in1999	Total Collections	Pledges receivable as at 31.12.1999
III. Trust Fund for special annual contribution from the Government of Germany (FQ)						
Germany	-	3,894,592	1,949,997	1,944,595	3,894,592	-
Total	-	3,894,592	1,949,997	1,944,595	3,894,592	-
Austria	-	38,168	-	38,168	38,168	-
Bahrain	-	1,026	-	1,026	1,026	-
Canada	-	67,231	-	67,231	67,231	-
Denmark	-	60,000	-	60,000	60,000	-
France	-	11,365	11,365	-	11,365	-
Germany	-	129,932	-	129,932	129,932	-
Ireland	-	24,939	-	24,939	24,939	-
Japan	-	235,000	75,000	160,000	235,000	-
Monaco	-	1,000	-	1,000	1,000	-
Netherlands	-	93,898	15,000	78,898	93,898	-
New Zealand	-	10,500	-	10,500	10,500	-
Norway	-	50,000	50,000	-	50,000	-
Sweden	-	24,545	24,545	-	24,545	-
Switzerland	-	159,914	108,819	51,095	159,914	-
United Kingdom	-	57,339	16,262	41,077	57,339	-
United States	-	2,278,651 1/	1,369,927	908,724	2,278,651	-
Total	-	3,262,681	1,670,918	1,591,763	3,262,681	-
Grand Total	-	**10,813,375**	**5,473,589**	**5,339,786**	**10,813,375**	-

1/ Including 1995 USA contribution for US$ 186,500 (US$ 125,000 and US$ 61,500) received from UNNY in 1998.

The accompanying notes are an integral part of the financial statements.

Schedule1.2
Page 1 of 7

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	Indicative Contributions receivable as at 01.01.1998	Add: Indicative contributions for 1998/1999 and adjustment of prior periods	Add: Indicative Contributions Received in Advance	Less: Collections in1998	Less: Collections in1999	Total Collections	Indicative Contributions receivable as at 31.12.1999
Albania	639	565	-	-	1,104	1,104	100
Algeria	21,846	19,554	-	12,011	15,000	27,011	14,389
Antigua and Barbuda	-	377	1,536	1,149	764	1,913	-
Argentina	29,780	171,196	-	29,780	64,768	94,548	106,428
Armenia	-	3,421	-	-	-	-	3,421
Australia	-	278,096	-	278,035	102,308	380,343	-
Austria	-	176,661	-	74,253	102,404	176,657	4
Azerbaijan	16,384	7,348	-	-	-	-	23,732
Bahamas	2,731	2,825	5,250	1,484	9,322	10,806	-
Bahrain	-	3,285	-	2,220	-	2,220	1,065
Bangladesh	1,365	1,883	-	-	-	-	3,248
Barbados	1,365	1,506	-	761	1,383	2,144	727
Belgium	67,190	207,077	-	67,190	92,481	159,671	114,596
Belize	-	196	-	-	-	-	196
Benin	750	377	780	1,907	-	1,907	-
Bhutan	-	196	953	1,149	-	1,149	-
Bolivia	1,365	1,402	-	1,513	-	1,513	1,254
Botswana	-	1,883	42	1,149	776	1,925	-
Brazil	-	280,477	87	-	280,564	280,564	-
Bulgaria	6,006	5,771	3,765	9,801	5,741	15,542	-
Burkina Faso	-	377	-	-	-	-	377
Burundi	563	196	-	-	-	-	759
Cambodia	1,211	196	-	-	-	-	1,407
Cameroon	1,365	2,532	-	-	-	-	3,897
Canada	-	524,500	-	265,431	259,069	524,500	-
Cape Verde	1,365	296	-	-	-	-	1,661
Central African Republic	1,365	277	-	-	-	-	1,642

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) Member States	Indicative Contributions receivable as at 01.01.1998	Add: Indicative contributions for 1998/1999 and adjustment of prior periods	Add: Indicative contributions received in advance	Less: Collections in1998	Less: Collections in1999	Total Collections	Indicative Contributions receivable as at 31.12.1999
Chad	1,365	196	-	-	-	-	1,561
Chile	-	23,146	-	6,828	-	6,828	16,318
China	-	177,117	-	75,985	101,087	177,072	45
Colombia	(1,274)	20,438	2,597	-	21,761	21,761	-
Comoros	1,365	196	-	-	-	-	1,561
Congo	(652)	1,945 1/	-	-	-	-	1,293
Congo, Democratic Rep. of	-	1,402	-	-	-	-	1,402
Cook Islands	1,365	196	-	-	1,561	1,561	-
Costa Rica	1,365	3,097	-	-	-	-	4,462
Côte d'Ivoire	1,365	1,947	-	-	-	-	3,312
Croatia	6,756	8,466	41	6,756	8,507	15,263	-
Cuba	-	5,992	-	3,191	-	3,191	2,801
Cyprus	-	6,402	34	6,436	-	6,436	-
Czech Republic	-	26,831	2,025	28,856	-	28,856	-
Denmark	-	129,761	-	61,270	68,466	129,736	25
Djibouti	-	196	-	-	-	-	196
Dominica	1,365	196	-	-	-	-	1,561
Dominican Republic	-	1,592	-	-	-	-	1,592
Ecuador	2,730	3,934	-	-	4,585	4,585	2,079
Egypt	-	12,575	-	-	-	-	12,575
El Salvador	1,211	2,259	-	-	-	-	3,470
Eritrea	(1,149)	196	953	-	-	-	-
Estonia	-	3,499	128	3,627	-	3,627	-
Ethiopia	1,365	1,214	-	-	-	-	2,579
European Community	-	489,271	-	287,210	202,061	489,271	-
Fiji	-	753	16	-	769	769	-
Finland	-	101,707	23,161	68,532	56,336	124,868	-

Schedule1.2
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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative contributions received in advance**	**Less: Collections in1998**	**Less: Collections in1999**	Total Collections	**Indicative Contributions receivable as at 31.12.1999**
France	-	1,227,440	-	547,932	679,508	1,227,440	-
Gabon	-	1,559	-	-	-	-	1,559
Gambia	1,365	196	-	-	1,561	1,561	-
Georgia	7,664	6,867	-	-	-	-	14,531
Germany	-	1,831,586	1	773,671	1,057,916	1,831,587	-
Ghana	365	1,571	7	-	1,943	1,943	-
Greece	-	67,519	-	20,000	20,000	40,000	27,519
Grenada	1,365	196	-	-	-	-	1,561
Guatemala	-	3,473	-	-	-	-	3,473
Guinea	1,365	565	-	-	-	-	1,930
Guinea-Bissau	1,313	196	-	-	-	-	1,509
Guyana	1,365	196	-	-	-	-	1,561
Haiti	-	377	-	-	-	-	377
Honduras	1,313	649	-	-	-	-	1,962
Hungary	-	22,509	-	15,537	-	15,537	6,972
Iceland	-	6,025	25	3,328	2,722	6,050	-
India	23,271	56,800	-	49,747	30,248	79,995	76
Indonesia	-	33,715	-	15,537	-	15,537	18,178
Iran, Islamic Republic of	39,244	45,618	-	-	-	-	84,862
Ireland	-	42,089	2,303	21,093	23,299	44,392	-
Israel	-	63,605	-	-	49,757	49,757	13,848
Italy	380,855	1,019,505	-	814,741	575,608	1,390,349	10,011
Jamaica	-	1,129	5,860	-	6,989	6,989	-
Japan	-	3,593,503	67,436	-	3,660,939	3,660,939	-
Jordan	-	1,298	25	-	1,323	1,323	-
Kazakhstan	27,307	17,320	-	-	-	-	44,627
Kenya	-	1,318	-	-	-	-	1,318

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative contributions received in advance**	**Less: Collections in1998**	**Less: Collections in1999**	**Total Collections**	**Indicative Contributions receivable as at 31.12.1999**
Kiribati	-	196	-	-	-	-	196
Korea, Democratic People's Republic of	6,826	4,589	-	-	-	-	11,415
Korea, Republic of	-	183,855	104,596	81,324	207,127	288,451	-
Kuwait	-	26,917	-	16,216	-	16,216	10,701
Lao People's Democratic Republic	207	196	953	1,356	-	1,356	-
Latvia	(9,156)	6,375	2,781	-	-	-	-
Lebanon	1,365	3,013	-	4,311	-	4,311	67
Lesotho	(798)	377	421	-	-	-	-
Liechtenstein	-	1,045	25	-	1,070	1,070	-
Lithuania	-	6,083	2,796	8,879	-	8,879	-
Luxembourg	-	12,634	-	6,298	6,297	12,595	39
Libyan Arab Jamahiriya	-	4,301	-	-	-	-	4,301
Macedonia, Former Yugoslav Rep. of	-	416	-	-	-	-	416
Madagascar	-	107	-	-	-	-	107
Malawi	1,365	377	-	600	565	1,165	577
Malaysia	-	32,877	-	15,538	-	15,538	17,339
Maldives	-	196	953	1,149	-	1,149	-
Mali	1,365	461	-	-	-	-	1,826
Malta	423	2,636	-	1,553	-	1,553	1,506
Marshall Islands	-	196	196	-	392	392	-
Mauritania	1,365	196	-	-	-	-	1,561
Mauritius	-	1,694	1,297	1,149	1,842	2,991	-
Mexico	85,818	181,220	-	40,832	188,437	229,269	37,769
Micronesia	-	196	688	884	-	884	-

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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative Contributions received in advance**	**Less: Collections In 1998**	**Less: Collections in1999**	**Total Collections**	**Indicative Contributions receivable as at 31.12.1999**
Moldova, Republic of	11,538	5,498	-	-	-	-	17,036
Monaco	639	669	480	1,788	-	1,788	-
Mongolia	-	377	968	1,153	192	1,345	-
Morocco	(1,222)	7,719	21	-	6,518	6,518	-
Mozambique	1,365	277	872	2,514	-	2,514	-
Myanmar	-	1,590	34	1,149	475	1,624	-
Namibia	-	1,318	431	1,749	-	1,749	-
Nauru	-	196	-	-	-	-	196
Nepal	1,365	753	-	-	-	-	2,118
Netherlands	-	306,065	-	135,490	170,571	306,061	4
New Zealand	(26,636)	41,608	-	14,926	-	14,926	46
Nicaragua	648	277	-	649	-76	573	352
Niger	1,365	377	-	-	-	-	1,742
Nigeria	-	10,062	13,830	-	23,892	23,892	-
Niue	-	196	283	479	-	479	-
Norway	-	114,426	-	114,387	-	114,387	39
Oman	-	9,517	-	9,515	-	9,515	2
Pakistan	3,734	11,193	-	-	4,458	4,458	10,469
Panama	-	2,701	483	-	3,184	3,184	-
Papua New Guinea	-	1,318	29	1,149	198	1,347	-
Paraguay	1,365	2,636	-	-	-	-	4,001
Peru	4,504	17,042	-	9,622	11,890	21,512	34
Philippines	8,192	14,809	-	8,192	-	8,192	14,809
Poland	-	42,685	15,457	36,624	21,518	58,142	-
Portugal	-	74,377	-	-	-	-	74,377
Qatar	-	6,213	10	-	6,223	6,223	-
Romania	20,480	15,568	-	16,670	19,331	36,001	47

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative contributions received in advance**	**Less: Collections in1998**	**Less: Collections in1999**	**Total Collections**	**Indicative Contributions receivable as at 31.12.1999**
Russian Federation	278,979	396,900	11,221	12,000	675,100	687,100	-
Rwanda	-	129	-	-	-	-	129
Saint Kitts and Nevis	-	196	953	1,149	-	1,149	-
Saint Lucia	639	196	1,906	1,788	953	2,741	-
Saint Vincent and the Grenadines	500	196	-	-	-	-	696
Samoa	-	196	-	196	-	196	-
San Marino	1,365	377	772	2,514	-	2,514	-
Saudi Arabia	98,785	109,238	-	-	-	-	208,023
Senegal	1,365	1,129	-	-	-	-	2,494
Seychelles	-	377	557	934	-	934	-
Sierra Leone	1,365	196	-	-	-	-	1,561
Singapore	3,503	32,378	-	19,041	16,820	35,861	20
Slovakia	-	8,524	632	9,156	-	9,156	-
Slovenia	5,274	11,400	21	13,024	3,671	16,695	-
Solomon Islands	1,365	196	-	-	1,561	1,561	-
South Africa	2,255	68,824	65	38,047	33,097	71,144	-
Spain	-	485,926	33	203,128	282,831	485,959	-
Sri Lanka	-	2,344	-	-	-	-	2,344
Sudan	1,365	1,486	-	-	-	-	2,851
Suriname	-	753	-	-	-	-	753
Swaziland	743	377	772	1,892	-	1,892	-
Sweden	-	205,356	25,061	104,764	125,653	230,417	-
Switzerland	-	228,755	7	103,271	125,491	228,762	-
Syrian Arab Republic	-	11,881	-	-	-	-	11,881
Tajikistan	-	520	-	-	-	-	520
Thailand	-	30,682	-	-	30,626	30,626	56

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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative contributions received in advance**	**Less: Collections in1998**	**Less: Collections in1999**	**Total Collections**	**Indicative Contributions receivable as at 31.12.1999**
Togo	1,365	277	-	-	-	-	1,642
Tonga	-	118	-	-	-	-	118
Trinidad and Tobago	-	3,285	-	-	-	-	3,285
Tunisia	(3,334)	5,271	-	-	-	-	1,937
Turkmenistan	-	2,097	-	-	-	-	2,097
Tuvalu	1,365	196	-	-	-	-	1,561
Uganda	1,365	753	1,447	3,565	-	3,565	-
Ukraine	35,658	88,582	-	-	52,913	52,913	71,327
United Arab Emirates	23,022	33,428	-	44,109	-	44,109	12,341
United Kingdom	-	957,140	-	589,874	367,246	957,120	20
United Republic of Tanzania	1,006	649	-	-	-	-	1,655
United States of America	-	4,892,700	-	2,209,875	2,682,825	4,892,700	-
Uruguay	5,462	9,122	-	3,003	6,905	9,908	4,676
Uzbekistan	-	10,341	4,072	14,413	-	14,413	-
Vanuatu	1,365	196	-	-	-	-	1,561
Venezuela	21,240	38,115	-	-	-	-	59,355
Viet Nam	1,365	1,571	-	2,209	727	2,936	-
Yemen	1,109	1,883	-	-	-	-	2,992
Yugoslavia	634	8,595	-	-	-	-	9,229
Zambia	1,365	461	-	-	-	-	1,826
Zimbabwe	639	1,694	303	1,788	848	2,636	-
Total	**1,266,505**	**19,578,444** 1/	**414,698**	**7,473,995**	**12,594,001**	**20,067,996**	**1,191,651**

1/ This amount represents1998 and 1999 indicative contributions of US$ 8,757,717 and US$ 10,819,347 respectively, plus 1997 Congo indicative contribution adjustment of US$1,380,amount inadvertently recorded in that year as contributions received. This adjustment is made in order to show Congo unpaid contributions of US$981 (US$728 for 1997).

The accompanying notes are an integral part of the financial statements.

Schedule 1.3

UNITED NATIONS FRAMEWORK CONVENTION
ON CLIMATE CHANGE
Details of Subventions
for the biennium 1998-1999 as at 31 December 1999

(Expressed in US dollars)

Fund Code	Donor		Amount
FC	UNEP		1,385
		Total:	**1,385**

Statement III

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Statement of cash flows for 1999 as at 31 December 1999
(Expressed in United States dollars)

	FC		FI		FQ		FR	
	1999	**1997**	**1999**	**1997**	**1999**	**1997**	**1999**	**1997**
CASH FLOWS FROM OPERATING ACTIVITIES:								
Net excess (shortfall) of income over expenditures (Statement I)	3,926,737	3,084,805	-1,148,352	-1,239,669	67,756		967,584	1,611,400
(Increase) decrease in contributions receivable	120,075	-1,311,726						
(Increase) decrease in other accounts receivable	326,028	-974,354	-15,096	-800	-84,669		79,497	-162,705
(Increase) decrease in other assets	-35,516		-536,628					
Increase(decrease) in accounts payable	107,791	259,306	-279,576	279,576			148,945	18,667
Increase(decrease) in unliquidated obligations	506,104	1,206,726	22,836	1,130,200	778,971		39,692	122,418
Increase(decrease) in other liabilities	369,477	45,221						
Less: Interest income received	-548,707	-223,307	-106,791	-34,601	-97,216		-213,738	-86,242
Net cash from Operating Activities	**4,771,989**	**2,086,671**	**-2,063,607**	**134,706**	**664,842**		**1,021,980**	**1,503,538**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:								
(Increase) decrease in inter-fund balances receivable	187,275	-201,590	1,113,543	-1,113,543				
Increase(decrease) in inter-fund balances payable			548,292		54,347		124,059	38,507
Plus: Interest income received	548,707	223,307	106,791	34,601	97,216		213,738	86,242
Net cash from Investing and Financing Activities	**735,982**	**21,717**	**1,768,626**	**-1,078,942**	**151,563**		**337,797**	**124,749**
CASH FLOWS FROM OTHER SOURCES:								
Savings on prior periods' obligations	169,126		588,716				98,301	
Other adjustments to fund balance		971,880		2,276,786	570,834		-915,003	483,384
NET CASH FROM OTHER SOURCES	169,126	971,880	588,716	2,276,786	570,834		-816,702	483,384
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	5,677,097	3,080,268	293,735	1,332,550	1,387,239		543,075	2,111,671
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	3,080,268		1,332,550				2,111,671	
CASH AND TERM DEPOSITS AT END OF PERIOD	8,757,365	3,080,268	1,626,285	1,332,550	1,387,239		2,654,746	2,111,671

The accompanying notes are an integral part of the financial statements.

Schedule IV

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

The Core Budget: Status of expenditures against budget
for the biennium 1998-1999 as at 31 December 1999
(Expressed in US Dollars)

Budget Classification	Approved Unobligated Budget	Expenditures			Balance
		Disbursements	Unliquidated Obligations	Total	
Executive Direction and Management	1,107,245	1,027,936	19,363	1,047,299	59,946
Implementation, Direction and Management	1,286,017	1,100,115	16,009	1,116,124	169,893
Implementation Process	998,559	1,077,374	26,395	1,103,769	(105,210)
Annex 1 Implementation	1,493,443	1,374,088	35,624	1,409,712	83,731
Non-Annex 1 Implementation	856,525	744,167	86,702	830,869	25,656
Science & Technology Direction and Management	1,789,041	1,625,586	56,554	1,682,140	106,901
Methodology and Science	1,219,973	885,576	201,434	1,087,010	132,963
Technology	414,140	281,248	8,972	290,220	123,920
Cooperative Implementation	845,111	751,048	24,427	775,475	69,636
Conference and Information Support Direction and Management	1,157,676	979,445	54,517	1,033,962	123,714
Conference Support	787,681	701,985	86,355	788,340	19,341
Information Support	1,873,115	1,073,509	561,762	1,635,271	237,844
Resources, Planning and Coordination and Management	1,387,291	1,347,989	16,902	1,364,891	22,400
Administration	2,327,499	1,217,555	537,814	1,755,369	572,130
Total	**17,543,316**	**14,187,621**	**1,712,830**	**15,900,451**	**1,642,865**

The accompanying notes are an integral part of the financial statements.

V. NOTES TO THE FINANCIAL STATEMENTS

Note 1. The Climate Change Secretariat and its activities

1. The secretariat of the United Nations Framework Convention on Climate Change was established on 1 January 1996 with the following purposes:

a) To make arrangements for session of the Conference of the Parties (COP) and its subsidiary bodies established under the Convention and to provide them with services as required;

b) To compile and transmit reports submitted to it;

c) To facilitate assistance to the Parties, particularly developing country Parties, on request, in the compilation and communication of information required in accordance with the provisions of the Convention;

d) To prepare reports on its activities and present them to the Conference of the Parties;

e) To ensure the necessary coordination with the secretariats of other relevant international bodies;

f) To enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions; and

g) To perform the other secretariat functions specified in the Convention and in any of its protocols and such other functions as may be determined by the Conference of the Parties.

Note 2. Summary of significant accounting policies of UNFCCC

1. The entire budget of the secretariat is funded by the State Parties to the Convention. During the 1998-1999 biennium, the secretariat administered the following four trust funds:

- The Trust Fund of the Core Administrative Budget
- The Trust Fund for Participation in the UNFCCC Process
- The Trust Fund for Supplementary Activities
- The Trust Fund for Special Annual Contributions from the Government of Germany (Bonn Fund)

2. All the trust funds are established by the Secretary-General of the United Nations at the request of the Executive Secretary upon the approval of the Conference of the Parties.

3. Under the financial procedures adopted by the Conference of the Parties, the Executive Secretary prepares the administrative core budget for the following biennium and submits it to the COP for its consideration and approval. The approved budget constitutes authority to the Executive Secretary to incur obligations and make payments for the purposes for which the appropriations were approved.

4. For the biennium 1998-1999, the COP approved a core budget of US$ 21.3 million, out of which the equivalent of DM 3 million was paid by the host Government. The remaining amount is raised by all Parties, which are invited to make contributions based on the United Nations scale of assessment.

5. The Parties are also invited to make voluntary contributions to the trust funds for Participation and Supplementary Activities to meet the requirements estimated at $ 4.6 million and $ 4.15 million, respectively for the same biennium. The COP does not approve a budget limit for these trust funds.

6. The Executive Secretary issues allotments by objects of expenditure for activities under the Conventions budget within the available resources.

7. According to the arrangements established by the Under-Secretary-General for Administration and Management of the United Nations, the financial and accounting services of the secretariat are provided by UNOG applying the Financial Regulations and Rules of the United Nations, as adopted by the General Assembly, the rules formulated by the Secretary-General for Administration and Management or the Controller. They also take fully into account the common accounting standards for the United Nations system, as adopted by the Administrative Committee on Co-ordination (ACC). The General Assembly has taken note of these standards in its resolution 48/216 C of 23 December 1993. The United Nations follows the International Accounting Standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

8. Fund accounting. The UNFCCC accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the Conference of the Parties or the Executive Secretary. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund.

9. The financial period of UNFCCC comprises of a biennium.

10. Income of the UNFCCC is recognized on the basis of paid contributions. The secretariat does not regard the indicative amounts as assets, as implied in the financial statement prepared by UNOG.

11. Translation of currencies. The accounts of the UNFCCC are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Administration and Management, shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation significantly different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.

12. The UNFCCCs financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

13. Cash and investments. Funds on deposit in interest-bearing bank accounts, time deposits and call accounts are shown in the statements of assets and liabilities as cash.

14. Fixed assets. Maintenance and repairs are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the UNFCCC. Acquisitions are charged against budgetary accounts in the year of purchase.

15. The expenditures do not include possible costs to cover contingencies under Appendix D to the United Nations staff rules, for personnel financed under resources obtained from contributions. The term "expenditure" designates total obligations incurred whether liquidated or unliquidated.

16. Miscellaneous income:

(i) The net income realized from the revenue-producing activities is reported as miscellaneous income;

(ii) Refunds of expenditures charged to the prior financial periods are credited to miscellaneous income;

(iii) Moneys accepted in respect of which no purpose is specified have been treated as miscellaneous income;

(iv) On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is charged to the budgetary account. If there is a net gain, this is credited to miscellaneous income;

(v) The proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

17. The trust fund statements reflect the "clean surplus theory" by processing adjustments through the current income and expenditure accounts. Material adjustments for prior periods are, however, shown in the financial statements below the results of the current period so as not to distort them.

18. Income tax refund policy. The UNFCCC salaries are charged to the budget on a net basis during the year in which the services have been rendered. Income tax refunds are charged to the year in which they are made to the staff member.

19. Unliquidated obligations for the current biennium in respect of UNFCCC remain valid for 12 months following the end of the biennium to which they relate.

20. All contributions are deposited with the United Nations Office at Geneva.

21. The UNFCCC operates an imprest account in Deutsche Marks to cover its expenditures in Bonn, and submits its report to UNOG on a monthly basis.

22. On a monthly basis, UNOG provides the Executive Secretary with information on the status of allotments, trial balance and unliquidated obligations. The final accounts are submitted to the Executive Secretary for certification and submission to the Board of External Auditors and reporting to the Conference of the Parties.

23. The United Nations retains 13% of the actual expenditures of all the established trust funds for programme support costs. Under the present arrangement, the programme support funds are used, in part, for financing the administrative unit of the secretariat.

VI. REPORT OF THE UNITED NATIONS BOARD OF AUDITORS ON THE FINANCIAL STATEMENTS OF THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE FOR THE PERIOD ENDED 31 DECEMBER 1999

SUMMARY

The Board of Auditors has reviewed the operations for the United Nations Framework Convention on Climate Change (UNFCCC). The Board also audited the financial statements of UNFCCC for the biennium ended 31 December 1999, and conducted a management review of UNFCCC's procurement, consultancy contracting, inventory control and administrative responsibilities.

The Board's main findings are:

(a) UNFCCC had not disclosed in the notes to the financial statements the value and method of valuation of non-expendable equipment, nor the amount of liability for end-of-service benefits, post-retirement benefits and annual leave;

(b) One master-listing of participants to Conference of the Parties, which supported payments accounting to $188,751, was missing and, despite recovery attempts, UNFCCC had not located the document;

(c) Authorizing officers continued to be involved in functions which should be performed independently by the procurement staff;

(d) Operating divisions within the secretariat do not prepare procurement plans giving details of anticipated purchases, the timing of the purchase, the delivery date required and estimated cost;

(e) Fifty seven per cent of contracts for consultancies and individual contractors examined by the Board had been awarded on a single source basis.

The Board made recommendations to improve the disclosure of liabilities, strengthen compliance with established rules and procedures on procurement and consultancies, and clarify the division of administrative responsibilities between UNFCCC and UNOG.

A list of all the main recommendations is presented in paragraph 8 of the Board's report.

A. INTRODUCTION

1. The Board of Auditors has audited the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the period 1 January 1998 to 31 December 1999, in accordance with decision 15/CP1 of the Conference of the Parties. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January 1998 to 31 December 1999 had been incurred for the purposes approved by the governing body; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNFCCC presented fairly the financial position as at 31 December 1999. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration of UNFCCC. In 1999, the Board examined UNFCCC's financial controls over procurement, consultancy contracting, inventory control and planned changes to UNFCCC's administrative responsibilities.

4. The Board reported the results of specific audits in management letters containing detailed observations and recommendations to the Administration.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of the Parties. The Board's observations and conclusions were discussed with the secretariat whose views, where appropriate, have been reflected in the present report.

6. The Board's main recommendations are presented in paragraph 8 below. The detailed findings are in paragraphs 10 to 59.

ACTION TAKEN ON PREVIOUS RECOMMENDATIONS

7. The Board carried out a review of the measures taken by UNFCCC in response to the recommendations made by the Board in its audit report for the financial period ended 31 December 1997. Details of the actions taken and the comments of the Board are set out in the annex to the present report.

MAIN RECOMMENDATIONS

8. The Board recommends that:

(a) UNFCCC should disclose in notes to the financial statements the value and method of valuation of non-expendable property and the amount of liability for end-of-service benefits, post-retirement benefits and annual leave (paras. 10 and 11);

(b) Following each conference, the secretariat should ensure that it obtains proper accounting records of conference payments, including signed receipts for payments; confirmation that proof of identification was provided by the payees; and a record of any non-attendance on the participant register. (para. 15);

(c) UNFCCC should regularly review unliquidated obligations to retain only those related to valid charges and to release resources by promptly cancelling obligations which are no longer valid (para. 19).

(d) The secretariat should ensure that the Memorandum of Understanding agreed between UNFCCC and United Nations Office at Geneva (UNOG) clearly sets out the respective requirements of both parties to achieve prompt, cost efficient services. It should establish:

(i) Standard information that UNOG requires to enable the timely provision of common services;

(ii) Clearly defined performance indicators, including response times for the services to be provided on receipt of this information; and,

(iii) Procedures for joint monitoring of service provision (para. 25);

(e) The secretariat should take action to discontinue involvement of authorizing officers in preparing requests for bids, a function which must be performed independently by the Procurement Unit (para. 35);

(f) The authorizing officer in each operating division should prepare plans for anticipated purchases, which should be submitted to the Procurement Unit in order to benefit from economies of scale through bulk purchasing (para. 39);

(g) The secretariat should ensure that UNFCCC require justification for proposals to contract consultants on a single source basis; terms of reference should set out the quantity and quality of outputs expected, including target dates and performance indicators; and the qualifications of candidates should be verified and evidenced on file (para. 51);

(h) UNFCCC and the United Nations Office at Geneva should reach a clear understanding on responsibility for the accuracy and completeness of the secretariat's financial records and of the financial statements presented to the Conference of the Parties (para. 58).

9. The Board's other recommendations are shown in paragraphs 12, 33, 37, 42 and 43.

B. FINANCIAL ISSUES

UNITED NATIONS ACCOUNTING STANDARDS

10. The Board assessed the extent to which UNFCCC's financial statements for the biennium ended 31 December 1999 conform to the United Nations Accounting Standards. The Board confirmed that UNFCCC had generally applied the revised accounting standards for the financial period ended 31 December 1999, except that the value and method of valuation of non-expendable property were not disclosed in the notes to the accounts as required by paragraph 49 of the United Nations Accounting Standards. In November 1999, the secretariat completed UNFCCC's first full inventory of equipment. In the absence of an inventory valuation in the notes to the financial statements, the Board notes that the purchase price of property and equipment recorded in UNFCCC's inventory in March 2000 totalled $1.5 million; and included items obtained from 1996 to March 2000. The Board recommends that UNFCCC disclose in a note to the financial statements the value and method of valuation of non-expendable property.

11. UNFCCC had not made specific disclosure in the financial statements of the amount of liability for end-of-service benefits, post-retirement benefits and annual leave, indicating the basis of valuation, as required under paragraph 57. The Board recommends that UNFCCC disclose in the notes to the financial statements the value and method of valuation of liability for end-of -service benefits, post-retirement benefits and annual leave, in compliance with United Nations Accounting Standards.

12. The Board also noted that UNFCCC had not provided an ageing analysis of the indicative contributions unpaid as at 31 December 1999, as required under paragraph 48. The Board recommends that UNFCCC routinely disclose an ageing analysis of outstanding indicative contributions in its financial statements.

FINANCIAL CONTROLS OVER CONFERENCE EXPENDITURE

13. UNFCCC maintains financial control over payments to participants at Conferences of the Parties by verifying the identity of the participant before making payment of allowances and travel claims. The recipients sign for the payments on a master listing prepared prior to the conference. UNFCCC held its third Conference of the Parties in Japan (COP 3) in December 1997. The Board found that one master-listing, which supported payments amounting to $188,751, was missing and, despite recovery attempts, UNFCCC has not located the document. The Board is concerned that missing vouchers or inadequate documentation weaken internal financial controls and could indicate that funds were not properly used.

14. Statement II of UNFCCC's financial statements includes an amount of $536,628 shown as funds advanced to an executing agency. This relates to an advance made to the United Nations Development Programme (UNDP) to make payments on its behalf to participants for its

fourth conference, COP 4, in Buenos Aires in November 1998. UNFCCC supplied a list of authorized advances for UNDP to pay the participants. The Board raised concerns that in October 1999, UNFCCC had not obtained the signed master-listing and other supporting documents for expenditure of approximately US$ 600,000. In response to these concerns, UNFCCC eventually obtained the information from UNDP in Buenos Aires in March 2000, 16 months after the conference.

15. ***The Board recommends that following each conference the secretariat ensure that it obtains proper accounting records of conference payments, including signed receipts for payments; confirmation that proof of identification was provided by the payees; and a record of any non-attendance on the participant roster.***

16. In response to the Board's recommendation, the secretariat strengthened controls over payments made to conference participants to COP 5, held in Bonn in October 1999. The Board found a full listing of COP 5 signatures for payments made to participants with supporting documentation that included cancelled cheques which the secretariat had originally prepared for participants who subsequently did not attend the conference.

FINANCIAL POSITION

17. Statement II shows that UNFCCC's combined reserves and fund balances increased by US$ 4.3 million, from US$ 7.2 million to US$ 11.5 million during 1998-1999. Statement I indicates that this increase mainly arose because the reserves of the Trust Fund for the Core Budget increased from US$ 4 million at the end of 1997 to US$ 8.1 million at the end of 1999. These reserves included working capital of US$ 1.5 million set by Conference of the Parties decision 16/CP.2 at 8.3 per cent of the budget of the Core Fund, which statement IV shows as US$ 17.5 million. As also shown in the Statement, UNFCCC underspent this budget by US$ 1.6 million, mainly because a number of posts remained vacant for extended periods.

18. The Trust Fund for the Participation in the UNFCCC Process had a shortfall of income over expenditure of US$ 1.3 million. After prior period savings and adjustments, this shortfall reduced reserves from US$ 1 million at December 1997 to US$ 478,000 at December 1999. The Board noted, however, that the cancellation of 1996-1997 obligations at the end of December 1998 in accordance with United Nations Regulation 4.4 provided prior period savings of US$ 588,716 thus restoring, in part, the shortfall.

19. Statement II shows outstanding unliquidated obligations of $1.2 million for the Participation Trust Fund at the end of December 1999, representing 39 per cent of the expenditure (US$ 2.9 million) reported in statement I. ***The Board recommends that UNFCCC regularly review unliquidated obligations to retain only those related to valid charges and to release resources by promptly cancelling obligations which are no longer valid.***

20. Although indicative contributions increased from US$ 13.8 million during 1996-1997 to US$ 19.6 million during 1998-1999, outstanding contributions fell from US$ 1.3 million (9 per cent) to US$ 1.2 million (6 per cent). This was partly a result of the payment of arrears by

Member States and partly the receipt of advance contributions for 2000-2001 amounting to US$ 415,000.

21. Statement II shows assets at December 1999 totalling 17.5 million (10.3 million in 1997), and liabilities amounting to US$ 5.5 million (US$ 3.1 million in 1997). While the value of assets was 3.1 times the value of liabilities (3.3 in 1997), cash and term deposits increased by US$ 7.9 million from US$ 6.5 million to $14.4 million. As a result, the ratio by which cash and term deposits are available to cover liabilities increased from 2.1:1 to 2.61:1.

ADMINISTRATIVE SUPPORT FROM THE UNITED NATIONS OFFICE AT GENEVA

22. During 1998-1999, the United Nations Office at Geneva (UNOG) provided UNFCCC with administrative, financial, personnel and some procurement functions. In management letters during the period, the Board drew attention to delays in recording local currency payments made by UNFCCC in Bonn in the expenditure records in UNOG. These delays generally resulted from staffing problems; UNFCCC not supplying full documentation required by UNOG to process transactions; and recording delays within UNOG.

23. UNFCCC sent monthly transaction listings of the imprest account to UNOG to record and return an updated status of allotment indicating funds available. In August 1999, the Board found that UNOG had not recorded payroll and other expenditure from the Bonn imprest account for the three months April -June 1999, amounting to US$ 1,695,293, thus preventing UNFCCC from effectively monitoring available funding.

24. UNFCCC has decided to assume responsibility for the administration of personnel and travel before the end of 2000, but to defer the transfer of financial responsibility for other expenditure pending a review of financial staffing. In the meantime, UNOG and UNFCCC have agreed to establish a Memorandum of Understanding to cover the services provided by UNOG.

25. ***The Board recommends that the Memorandum of Understanding agreed between UNFCCC and UNOG should clearly set out the respective requirements of both parties to achieve prompt, cost efficient services. It should establish:***

(a) Standard information required by UNOG to enable the timely provision of common services;

(b) Clearly defined performance indicators, including response times for the services to be provided; and,

(c) Procedures for joint monitoring of service provision.

WRITE-OFF OF LOSSES OF CASH, RECEIVABLES AND PROPERTY

26. No cases were reported to the Board.

EX-GRATIA PAYMENTS

27. No cases were reported to the Board.

C. MANAGEMENT ISSUES

PROCUREMENT

Introduction

28. The permanent secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) was established on 1 January 1996. Since then, UNFCCC's administrative and financial functions have been performed partly by its secretariat and partly by the United Nations Office at Geneva (UNOG). This arrangement, proposed in 1995 by the Secretary-General of the United Nations, was provisionally accepted by the Conference of the Parties (COP) at its first session.

29. The respective administrative and financial responsibilities of the UNFCCC secretariat and UNOG, as well as the associated delegations of authority, are specified in the two memoranda, issued in 1995 and 1996, by the Under-Secretary-General for Management to the Executive Secretary of the UNFCCC. Under these arrangements, UNFCCC's Executive Secretary had authority to approve individual procurement transactions up to US$ 50,000 without reference to the UNOG Committee on Contracts. This was increased to US$ 150,000 with effect from May 1999, in respect of a single transaction or series of related transactions on an annual basis. With effect from 1 September 1999, UNFCCC established its own Committee on Contracts.

30. UNFCCC has yet to establish a Procurement Unit due to lack of funds, and its procurement functions are therefore carried out by a Procurement Assistant and a Procurement Clerk. During 1998, the procurement staff processed purchase orders with a total value in excess of US$ 1 million. The Board's examination, based on a test check of 15 transactions, focused on procurement control procedures and the cost-effectiveness of the procurement operation.

Procurement procedures manual

31. Following its audit in January 1998, the United Nations Office of Internal Oversight Services (OIOS) reported that UNFCCC's procurement procedures, established in March 1997, did not fully comply with the provisions of the United Nations Procurement Manual. In accordance with OIOS' recommendation, UNFCCC initiated a review of its procurement procedures and reported to the fourth session of the COP in October 1998 that new guidelines would be developed.

32. The Board notes that the planned review and the development of new procurement procedure guidelines is still incomplete. According to the secretariat, lack of staff with relevant knowledge has hampered the pace of progress in completing these tasks. The secretariat is

considering recruitment of a consultant with relevant experience and skills to complete the remaining stages of the review and to prepare new procurement guidelines.

33. Absence of a complete and accurate Procurement Manual introduces the risk that irregular expenditure may be incurred either through disregard of the United Nations procurement rules or incorrect interpretation of the rules. ***The Board recommended, and the secretariat agreed, that it should produce revised procurement procedure guidelines as a matter of priority and that, before promulgation, UNOG should be consulted as regards accuracy and completeness of the guidelines.***

Segregation of procurement functions

34. Under current UNFCCC procedures, procurement staff are responsible for initiating bids on the basis of specification of goods or services provided by the authorizing officer. In the course of its audit in January 1998, OIOS observed a number of cases where the substantive offices had prepared requests for bids without consulting the procurement staff. The secretariat informed COP at its fourth session that steps had been taken to rectify the situation as regards segregation of duties.

35. The Board notes that these efforts have not been entirely successful and, as evidenced in 6 of the 15 cases examined (40 percent), authorizing officers continued to be involved in preparing requests for bids, which should be performed independently by the procurement staff. Absence of proper segregation of procurement functions introduces the risk of improper selection of suppliers. Moreover, restricting competition solely among suppliers identified by the authorizing officer can diminish the prospects of securing best value for money. ***The Board recommends that the secretariat should take action to discontinue involvement of authorizing officers in preparing requests for bids, a function which should be performed independently by the procurement staff.***

36. The secretariat informed the Board that it considered UNFCCC to be too small to have a fully segregated procurement operation, but it was formulating an internal administrative instruction outlining steps to be taken by the separate parties involved in the procurement process.

Supply requisition

37. The procurement staff should be allowed sufficient time to select and contact suppliers for price quotations and to place the order. In 5 out of 15 cases examined, the Board found that less than one week had been allowed between submission of the specification of goods or services required and placing of the order. In these cases, the procurement staff have not been able to perform the full range of procurement procedures to ensure that goods or services of appropriate quality had been purchased at the most economic price from reliable sources. ***The Board recommends that the secretariat should establish and communicate to all staff the minimum lead-times to be provided to the procurement staff to properly process purchase requisitions.***

38. The secretariat informed the Board that it intended to establish minimum lead-times for all procurement procedure steps, although it considered that rigid deadlines could not always be applied.

39. The Board also noted that operating divisions within the secretariat do not prepare procurement plans giving details of anticipated purchases, the timing of the purchase, the delivery date required and estimated cost. ***The Board recommends that each operating division should prepare plans for anticipated purchases, in order to benefit from economies of scale through bulk purchasing.***

Procurement of computer equipment

40. During the period 1997 to 1999, the secretariat purchased computer equipment at a cost of nearly US$ 800,000. As at July 1999, UNFCCC held 191 desktop computers, 198 computer monitors and 65 printers. This appeared to the Board to be a high level of computer equipment for UNFCCC's 110 staff and consultants employed within the secretariat.

41. The secretariat explained that it operates a large local Area Network which is extended to remote locations at the time of subsidiary and COP meetings and that the amount of computer equipment held does not take into account pending declarations of obsolescence.

42. ***The Board recommends that the secretariat establish an Information Technology Strategy to ensure that its future procurement of computer equipment is fully justified and undertaken in the most cost effective way.***

Roster of vendors

43. The secretariat has started development of a roster of vendors, which includes details of local suppliers drawn from UNOG's roster. UNFCCC's roster does not include details about the performance of suppliers previously used, which could assist the secretariat in determining the best source for future purchases. The Board welcomes the secretariat's efforts to enhance competitiveness through enlargement of the number of prospective suppliers. The Board recommends that the roster of vendors should include information concerning the performance of each supplier used, such as quality of goods or services provided, timeliness of delivery and back-up support.

CONSULTANTS AND INDIVIDUAL CONTRACTORS

Introduction

44. UNFCCC's Executive Secretary has authority to employ consultants, within available allotments and in consultation with UNOG as regards the level of related fees. The Executive Secretary also has authority to hire individual contractors in accordance with the relevant United Nations rules.

45. Between 1 January 1998 and 19 July 1999, a total of 125 consultants and individual contractors were commissioned by the secretariat at a total cost of some $0.8 million. The Board reviewed UNFCCC's procedures for engaging consultants and individual contractors. The review, based on a test sample of 42 contracts, focused on the operation of control procedures, as prescribed in the United Nations guidelines, and the cost-effectiveness of the procedures for obtaining the services of consultants and individual contractors.

Selection

46. In 24 of the cases examined (57 per cent), with a total value of US$ 165,343, contracts had been awarded on a single source basis. In 9 of these cases (21 per cent), UNFCCC did not provide justification to opt for single source selection. In 5 cases, with contracts totalling US$ 33,485, other candidates had not been considered on the grounds that the consultants concerned had either performed the tasks well in the past or were familiar with the work. In one case, involving US$ 9,900, the justification provided was that the consultant was the best for the job. In 4 cases, contracts totalling US$ 16,494 had been awarded after considering other candidates who had previously competed unsuccessfully against the persons awarded the contracts.

47. The Board's test examination identified six consultants and individual contractors who had been frequently hired by the secretariat. These persons had been individually awarded between three to seven contracts within a period of two years.

48. UNFCCC informed the Board that it may be counterproductive to apply arbitrary limits on re-employment or on duration of contracts, given the secretariat's intensive work programme.

49. In three cases, the Board noted that the terms of reference did not set out in sufficient detail the quantity and quality of output expected, target dates and performance indicators such as timeliness for evaluation of results. Inadequate yardsticks for assessing the quality and the timeliness of work to be delivered by consultants meant that the Board could not verify the propriety of the related payments.

50. In none of the contracts examined had UNFCCC verified the qualifications and experience of candidates and maintained evidence in the files. The United Nations guidelines provide that, prior to issuing a contract, the processing office must verify the academic and professional credentials of the selected candidate; and that to facilitate this action, the programme managers are expected to submit engagement proposals sufficiently in advance of the proposed starting dates.

51. ***The Board recommends that UNFCCC require justification for proposals to contract consultants on a single source basis; terms of reference should set out the quantity and quality of outputs expected, including target dates and performance indicators; and the qualifications of candidates should be verified and evidenced on file.***

Roster of consultants

52. The secretariat has started work on the development of a comprehensive roster of consultants to provide a wider source of potential candidates with relevant skills and qualifications. According to the secretariat, insufficient staffing resources has affected the pace of progress in completing this work.

53. The secretariat assured the Board that it is working to put in place clearer systems to govern the selection and use of consultants and individual contractors.

REVIEW OF ADMINISTRATIVE ARRANGEMENTS FOR UNFCCC

54. UNFCCC's administrative functions are currently performed partly by its secretariat in Bonn and partly by UNOG. The functions performed by UNOG include the maintenance of UNFCCC's accounting records, administration of income, payroll calculation and payments and the production of financial statements.

55. In 1998 UNFCCC, jointly with the United Nations Department of Management and UNOG, reviewed UNFCCC's administrative arrangements in order to strengthen and clarify accountability. This resulted in a joint report to the United Nations Department of Management proposing that, with certain exceptions, UNFCCC assume responsibility for all its administrative, financial, personnel and procurement functions in a phased and planned manner. The exceptions referred to included aspects, such as post classification and audit and payroll services, for which continued reliance on the United Nations, New York, and UNOG was recommended.

56. The United Nations Department of Management endorsed these proposals on the basis that the transfer of responsibilities from UNOG to UNFCCC would be effected in a phased manner taking into account UNFCCC's resources and its capacity to absorb the additional functions. Discussions between the UNFCCC secretariat and UNOG are still continuing on the phased transfer of responsibilities as approved by the United Nations Department of Management.

57. The secretariat has been considering the adoption of a computerized system to facilitate efficient and effective performance of all administrative and financial functions, including those to be transferred from UNOG. The secretariat has decided that, for the foreseeable future, the Integrated Management Information System (IMIS) is the most economic and applicable solution for UNFCCC's system needs. The reasons supporting the secretariat's decision include availability of facility for remote access, phased implementation as and when each IMIS module (personnel, finance, procurement, travel and payroll) becomes available and linking the transfer of responsibility from UNOG to the timetable for implementation of IMIS.

58. ***The Board recommends that, until transfer of all functions is complete, UNFCCC and UNOG reach a clear understanding on responsibility for the accuracy and completeness of the secretariat's financial records and of the financial statements presented to the Conference of the Parties.***

CASES OF FRAUD AND
PRESUMPTIVE FRAUD

59. No cases of fraud or presumptive fraud were reported to the Board during 1998-1999.

D. ACKNOWLEDGEMENT

60. The Board of Auditors wishes to express its appreciation for the co-operation extended by the Executive Secretary and staff of UNFCCC and by the United Nations Secretariat.

Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

Osei Tutu PREMPEH
Auditor-General of Ghana

Celso D. GANGAN
Chairman, Philippine Commission on Audit

30 June 2000

Annex

Follow-up on action taken by the United Nations Framework Convention on Climate Change to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1997

RECOMMENDATION 1

1. UNFCCC should, jointly with the United Nations Division of Management and UNOG, undertake the planned review of UNFCCC's administrative arrangements as a matter of priority.

Measures taken by UNFCCC

2. The planned review, involving UNFCCC secretariat and UNOG, took place in 1998. UNFCCC will assume responsibility for all its administrative, financial, personnel and procurement functions in a phased and planned manner.

Comments of the Board

3. The Board welcomes the progress of clarification of administrative arrangements and comments further in the present report.

RECOMMENDATION 2

4. UNFCCC should incorporate the procedures and operational requirements for servicing major conferences into a Conference Support Manual, which should include a checklist of key procedures.

Measures taken by UNFCCC

5. UNFCCC established a checklist in 1998, and continues to develop guidelines for a comprehensive Conference Support Manual.

Comments of the Board

6. The Board encourages UNFCCC to fully document its Conference Procedures.

RECOMMENDATION 3

7. The secretariat should establish the cost of each major conference it organizes.

Measures taken by UNFCCC

8. UNFCCC maintains records of its own expenditure for management review.

Comments of the Board

9. The Board will review UNFCCC's procedures for identifying and monitoring the costs incurred by UNFCCC on each major conference in future audits.

RECOMMENDATION 4

10. The secretariat should explore ways of increasing the response rate to post-conference evaluation questionnaires and consider how the questionnaire might be redesigned so as to provide an assessment of the secretariat's performance across the full range of its conference support work.

Measures taken by UNFCCC

11. UNFCCC continues to encourage the return of evaluation questionnaires to provide feedback on the effectiveness of the conference arrangements.

Comments of the Board

12. The Board notes UNFCCC action and looks forward to further action to broaden the scope of the questionnaire.

AUDIT OPINION

We have audited the accompanying financial statements, numbered I to III, schedules IV and 1.1 to 1.3 and the supporting notes of the United Nations Framework Convention on Climate Change for the financial period ended 31 December 1999. The financial statements are the responsibility of the Executive Secretary. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Secretary, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all respects, the financial position as at 31 December 1999 and the results of operations and cash flows for the period then ended in accordance with UNFCCC's stated accounting policies set out in note 2 of the financial statements which were applied on a consistent basis with that of the preceding financial period. Further, in our opinion, the transactions of UNFCCC which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of UNFCCC's financial statements.

Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

Osei Tutu PREMPEH
Auditor-General of Ghana

Celso D. GANGAN
Chairman, Philippine Commission on Audit

30 June 2000